

FISCAL YEAR 2001

ACCOUNTS RECEIVABLE

AND

DEBT WRITE-OFF REPORT

Report to the Washington
State Legislature
RCW 43.20B.030(2)(b)

By the Washington State
Department of Social and Health Services



Accounts Receivable and Debt Write-Off Report Fiscal Year 2001

Statutory Authority:

RCW 43.20B.030(2)(b) requires the following from DSHS:

(b) Beginning December 1, 1997, the department shall report by December 1 of each year to the commerce and labor committees of the senate and house of representatives, the senate ways and means committee, and the house appropriations committee, or successor committees, the following information:

- (i) The cumulative amount of debt due the department;
- (ii) The cumulative amount of debt that has been written off by the department as no longer cost-effective to pursue;
- (iii) The amount of debt due the department that has accrued in each of the previous five fiscal years; and
- (iv) The amount of debt that has been written off in each of the previous five fiscal years as no longer cost-effective to pursue.

Background:

The mission of the Washington State Department of Social and Health Services (DSHS) is to improve the quality of life for individuals and families in need. In pursuing this mission, DSHS manages a comprehensive array of social, health, long-term care, and income assistance programs. These services are delivered both directly and through contract with public and private entities that are accountable to the taxpayer for consumer access, quality, and cost-effectiveness.

The two major divisions within DSHS that are responsible for the collection of debt owed to the department are the Division of Child Support (DCS) and the Finance Division (DOF).

DCS is responsible for the collection of child support from non-custodial parents when the children are receiving public assistance monies. DCS also collects child support in cases in which the children are not receiving public assistance. However, these "non-assistance" cases are not included in the DCS accounts receivable or the DCS debt write-offs because the debts on these cases are not owed to the department.

DCS receivables include debts related to public assistance cases, medical costs, paternity costs, and state-funded foster care costs. The vast majority of receivables at DCS are related to the collection of child support on public assistance cases.

DOF is responsible for centralized collection and cashing for DSHS programs. Collection activities performed at DOF include (1) client assistance overpayment (recovery of financial, medical, and food stamp overpayments); (2) estate recovery (estates of deceased recipients who received state/funded long-term care or Medicaid clients that may be required to repay costs); (3) Medicaid drug rebate (recovery of rebates due from drug manufacturers); and (4) other recoveries related to vendor overpayments, residential care, Supplemental Security Income-interim assistance, and industrial insurance time loss recoveries.

Scope of Report:

The amount of debt owed DSHS and the amount of debt write-off information is presented separately for DCS and DOF.

The department exhausts every effort to collect its overpayments and considers many variables before a decision is made to write-off an individual obligation. These include bankruptcy, death of the obligor, inability to locate the obligor for a three-year period, compromise settlements between DSHS and the obligor, debt balance of \$100 or less, statute of limitations, and whether or not it is cost effective to pursue the collection of a debt. The information presented in the report detail below includes debt write-off due to these reasons for both DCS and DOF receivables, except that DCS does not report write-off of debt due to cost effectiveness.

Report Detail:

Provided below is the cumulative amount of debt due the Department as of the end of fiscal year 2001 as well as the accounts receivable balances for the four previous years:

	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Receivables:					
Division of Child Support	\$ 1,138,708,306	\$ 1,170,451,781	\$ 1,172,837,179	\$ 1,159,867,216	\$ 996,552,025
Division of Finance (1)	167,958,397	161,108,106	158,263,335	164,304,291	206,963,658
Other (2)	-	-	-	1,170,788	12,895,636
Total DSHS Receivables	<u>\$ 1,306,666,703</u>	<u>\$ 1,331,559,887</u>	<u>\$ 1,331,100,514</u>	<u>\$ 1,325,342,295</u>	<u>\$ 1,216,411,320</u>

- (1) The majority of the increase in this balance from fiscal year 2000 to fiscal year 2001 is due to a change in accounting policy that resulted in an increase of the Medicaid drug rebate receivable of \$24.6 million.
- (2) This category is not reflected in the fiscal year 2000 report, but has been restated for consistency with the fiscal year 2001 report. It represents incidental receivables that have been accrued throughout the Department, the majority of which includes a \$6.8 million accrual for the Disproportionate Share Hospital payment to public hospitals. \$3.9 million of this balance represents various receivables related to child support services.

Provided below is the cumulative amount of debt that has been written off by the Department for fiscal year 2001 and for the four previous years:

	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Write-offs:					
<u>Division of Child Support</u>					
No longer cost effective (1)	\$ -	\$ -	\$ -	\$ -	\$ -
All other write-offs (2)	45,201,206	50,329,502	55,363,266	57,951,045	167,488,335
Total DCS Write-offs	<u>\$ 45,201,206</u>	<u>\$ 50,329,502</u>	<u>\$ 55,363,266</u>	<u>\$ 57,951,045</u>	<u>\$ 167,488,335</u>
<u>Finance Division</u>					
No longer cost effective (3)	\$ 3,145,317	\$ 3,929,461	\$ 1,550,703	\$ 1,254,869	\$ 672,315
All other write-offs (4)	8,639,736	9,274,944	12,252,347	10,889,175	14,044,110
Total DOF Write-offs	<u>\$ 11,785,053</u>	<u>\$ 13,204,405</u>	<u>\$ 13,803,050</u>	<u>\$ 12,144,044</u>	<u>\$ 14,716,425</u>
Total DSHS Write-offs	<u>\$ 56,986,259</u>	<u>\$ 63,533,907</u>	<u>\$ 69,166,316</u>	<u>\$ 70,095,089</u>	<u>\$ 182,204,760</u>

(1) DCS does not report amounts in this category.

(2) This category includes write-offs primarily due to statute of limitations, case closures, and write-offs due to administrative hearing decisions. This amount has been restated for consistency with the fiscal year 2001 amount.

DCS write-offs increased significantly from fiscal year 2000 to fiscal year 2001 because of recent efforts aimed at closing cases and reducing debt. A policy memo issued in March 2001 requested that DCS staff review all cases qualified for closure. A notice titled *Delegation of Decision Making/Conference Board Issues* gave DCS staff more authority to speed up the decision making process on issues that would otherwise be backlogged at the conference board level.

(3) This category is a mixed group of cases in which the cost of pursuing collection is expected to exceed the amount recovered.

(4) This category includes write-offs primarily due to bankruptcy, death of the obligor, negotiated compromises between DSHS and the obligor, hardship, exhaustion of all other remedies, debt balances of \$100 or less, and statute of limitations.